



# **STATE MINING AND GEOLOGY BOARD**

## **EXECUTIVE OFFICER'S REPORT**



ARNOLD  
SCHWARZENEGGER  
GOVERNOR

**For Meeting Date: November 13, 2008**

**Agenda Item No. 10: Approval of Adjusted Financial Assurance Cost Estimate for the Teichert Aggregates, Cool Cave Quarry (CA Mine ID #91-09-0005), Teichert Aggregates (Operator), Jeff Thatcher (Agent), El Dorado County.**

**INTRODUCTION:** The State Mining and Geology Board (SMGB) is the lead agency for El Dorado County, pursuant to the Surface Mining and Reclamation Act of 1975 (SMARA, Public Resources Code (PRC) Section 2710, et seq.). SMARA requires that each surface mining operation maintain a financial assurance in an amount adequate to reclaim, in accordance with the requirements of an approved reclamation plan, the land disturbed by the mining operation at the conclusion of mining activities. SMARA lead agencies are required to annually review the financial assurance amounts for each surface mining operation, and adjust the amount, as necessary, to account for new land disturbed, inflation, or land reclaimed. In any event, the lead agency must ensure that the approved amount is adequate to reclaim the mine site according to the reclamation plan requirements (PRC Sections 2770 and 2773.1, and California Code of Regulations (CCR) Section 3804).

**STATUTORY AND REGULATORY AUTHORITY:** Financial assurance cost estimate adjustment requirements are discussed under SMARA, and within the SMGB's regulations and guidelines. Lead agencies are required to assure that financial assurances for reclamation are sufficient pursuant to Division 2, Chapter 9, Article 5 of PRC Section 2770(d) which states:

*"The lead agency's review of reclamation plans submitted pursuant to subdivision (b) or of financial assurances pursuant to subdivision (c) is limited to whether the plan or the financial assurances substantially meet the applicable requirements of Sections 2772, 2773, and 2773.1, and the lead agency surface mining ordinance adopted pursuant to subdivision (a) of Section 2774, but, in any event, the lead agency shall require that financial assurances for reclamation be sufficient to perform reclamation of lands remaining disturbed. Reclamation plans or financial assurances determined to substantially meet these requirements shall be approved by the lead agency for purposes of this chapter. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. The*



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*operator has 60 days to revise the plan or financial assurances to address identified deficiencies, at which time the revised plan or financial assurances shall be returned to the lead agency for review and approval.”*

In addition, PRC Section 2773.1(a) states:

*“...Lead agencies shall require financial assurances of each surface mining operation to ensure reclamation is performed in accordance with the surface mining operation's approved reclamation plan, as follows:*

*(3) The amount of financial assurances required of a surface mining operation for any one year shall be adjusted annually to account for new lands disturbed by surface mining operations, inflation, and reclamation of lands accomplished in accordance with the approved reclamation plan.”*

Furthermore, the SMGB's regulations pursuant to Article 11 of the CCR Section 3804, Calculation of Financial Assurance Amount, states:

*“(a) The Financial Assurance Amount shall be calculated as prescribed in Public Resources Code Section 2773.1 and based on:*

- (1) an analysis of the physical activities and materials necessary to implement the approved reclamation plan;*
- (2) the lead agency's unit costs, or costs for third party contracting, for each of these activities, if applicable;*
- (3) the number of units of each of these activities, if applicable;*
- (4) a contingency amount not to exceed 10% of the reclamation costs.*

*(b) The calculated amount should not include the cost of completing mining of the site.*

*(c) In order for the lead agency or the Department of Conservation to determine what annual adjustments, if any, are appropriate to the Financial Assurance Amount, the operator shall annually submit to the lead agency a revision of the written calculation required under Section 3804(a).”*

**BACKGROUND:** The Cool Cave Quarry mining operation is situated immediately east of Highway 49, north of the town of Cool, in El Dorado County, and encompasses about 100 acres, with approximately 100 acres disturbed. The major components of the quarry site include an entrance road and truck scale/office building, material processing and product stockpile areas, above-ground fuel tank, equipment storage and boneyard areas, northern



sediment settling pond, a revegetation test plot, and a rehabilitated and revegetated fill slope, which includes a supplemental revegetation test plot area, situated immediately east of the northern sediment settling pond.

The operator extracts limestone to be utilized for a variety of products. The primary product was formerly 2" x 4" clean limestone ("Sugar Rock") which was used in the sugar refining process. Current products include a variety of aggregate and rip-rap materials for road base, drain rock, de-icing sand, landscaping material, and very fine-grained lime used for agricultural purposes.

Material extraction was historically performed in South Pit and the historic Glory Hole. Current extraction activities occur in Main Pit and within the Bureau of Reclamation (BOR) Tracts along the western perimeter of the Main Pit. As of September 2008, no violations or corrective measures were noted at time of inspection.

The financial assurance is currently established in the form of a Surety Bond for the amount of \$2,770,247.61. A revised financial assurance cost estimate (FACE) was submitted to the SMGB on September 22, 2008, in the amount of \$3,210,146.22.

#### **FINANCIAL ASSURANCE COST ESTIMATE (FACE) ADJUSTMENT:**

##### **NORTH PIT**

I.	Primary Reclamation Activities	\$747,542.60
II.	Revegetation	\$92,900.20
III.	Plant Structures and Equipment Removal	\$255,965.00
IV.	Miscellaneous Costs	\$0
V.	Monitoring	\$0
	<b>Total Direct Cost</b>	<b>\$1,096,407.80</b>
I.	Supervision/Overhead/Contingencies	
a.	Supervision (7%)	\$54,820.39
b.	Profit/Overhead (14%)	\$104,158.74
c.	Contingencies	\$76,748.55
d.	Mobilization	\$32,892.23
	<b>Total Indirect Cost</b>	<b>\$268,619.91</b>
	Lead Agency administrative cost (15%)	\$136,502.77
	<b>Total Estimated Cost for Reclamation</b>	<b>\$1,501,530.48</b>



## **SOUTH PIT**

I.	Primary Reclamation Activities	\$71,355.00
II.	Revegetation	\$50,930.20
III.	Plant Structures and Equipment Removal	\$191,368.00
IV.	Miscellaneous Costs	\$0
V.	Monitoring	\$0
VI.	Supervision/Overhead/Contingencies	
a.	Supervision (7%)	\$15,682.66
b.	Profit/Overhead (14%)	\$29,797.05
c.	Contingencies	\$31,365.32
d.	Mobilization	\$9,409.60

<b>Total Indirect Cost</b>	<b>\$86,254.63</b>
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Lead Agency administrative cost (15%)	\$39,990.78
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<b>Total Estimated Cost for Reclamation</b>	<b>\$439,898.61</b>
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## **BUREAU OF RECLAMATION SITES**

I.	Primary Reclamation Activities	\$499,008.00
II.	Revegetation	\$169,041.00
III.	Plant Structures and Equipment Removal	\$244,860.00
IV.	Miscellaneous Costs	\$0
V.	Monitoring	\$13,500.00
	<b>Total Direct Cost</b>	<b>\$926,409.00</b>
VI.	Supervision/Overhead/Contingencies	
a.	Supervision (7%)	\$46,320.45
b.	Profit/Overhead (14%)	\$88,008.86
c.	Contingencies	\$64,848.63
d.	Mobilization	\$27,792.27

<b>Total Indirect Cost</b>	<b>\$226,970.21</b>
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Lead Agency administrative cost (15%)	\$115,337.92
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<b>Total Estimated Cost for Reclamation</b>	<b>\$1,268,717.13</b>
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<b>TOTAL ESTIMATED COST</b>	<b>\$3,210,146.22</b>
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**CONSIDERATION BEFORE THE SMGB:** The SMGB may take the following actions:

1. Approve as adequate the adjusted financial assurance cost estimate, without additions;  
  
[or]
2. Modify the adjusted financial assurance cost estimate, and then accept it as adequate;  
  
[or]
3. Reject the adjusted financial assurance cost estimate as inadequate and order it to be redone.

**EXECUTIVE OFFICER'S RECOMMENDATION:** The Executive Officer recommends that the SMGB approve the adjusted FACE. The adjusted financial assurance cost estimate has been reviewed for its consistency and completeness in meeting the minimum requirements of SMARA, and SMGB's regulations and guidelines. Based on the subject annual inspection conducted on September 15, 2008, SMGB staff considers the recently revised FACE amount to be adequate. The OMR has reviewed the adjusted FACE, and also considers it adequate to reclaim the site in accordance with the approved reclamation plan.

**SUGGESTED MOTION LANGUAGE:**

To approve the Adjusted Financial Assurance Cost Estimate:

*Mr. Chairman, in light of the information before the State Mining and Geology Board today, I move that the Board approve the adjusted financial assurance cost estimate of \$3,210,146.22 for Cool Cave Quarry, CA Mine ID #91-09-0005, located in the El Dorado County, as being adequate to reclaim the site in accordance with the approved reclamation plan, and meeting the minimum requirements of SMARA and SMGB's regulations.*

Respectfully submitted:

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Stephen M. Testa  
Executive Officer